

INVESTOR'S CONTEMPLATION OF FIRMS POSITION AND STOCK RETURNS IN THE OPEN-ENDED MUTUAL FUND SCHEME

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ABSTRACT

Mutual fund investments are in limelight these days for providing the best investment options for the long-term creation of wealth. It is one of the best decisions to earn high returns while avoiding tax payments at the same time. Also, known as Equity Funds, mutual funds are more popular because people of any and every walk of life can invest in it easily. Moreover, the internet boom makes it easier for investors to take advantage of the ease of access by investing in mutual funds and make extra earnings. This article analyses the investors attempt to study the firms position and the stock return while investing their money in the open-ended mutual fund.

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INTRODUCTION

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity. The majority of mutual funds are open-end. By continuously selling and buying back fund shares, these funds provide investors with a very useful and convenient investing vehicle.

1.1 Operation of Open-Ended Mutual Fund

Open-ended mutual funds Open-ended mutual funds do not have any fixed maturity period and are available to investors, for subscription and redemption, on an ongoing basis, during the New Fund Offer (NFO) period and beyond. Investors may buy and sell these schemes directly from/to the mutual fund, whenever they desire subject to specific business days/hours as may be prescribed by the respective mutual fund. The units of such schemes are available at NAV related prices (subject to applicable loads/charges) from the mutual

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fund and every subscription/redemption results in the creation/deletion of units of the scheme. As a result, the amount of funds and the number of units in the scheme vary every day. It should however be noted that, in exceptional circumstances, (such as non-functioning of stock markets and financial markets in general, natural calamities, corporate action in funds, etc.), mutual funds may restrict subscriptions into and/or redemptions from such schemes. You should consider any investment in equity-oriented open-ended mutual fund schemes as a medium to long-term investment (a minimum suggested investment horizon of 3 years) as early encashment may result in the loss of capital and also create tax obligations.

1.2 Objective of the Study

This study has analyzed the impact of investors personal and demographic profile on their deliberations of firms' position and consider the stock return. the following objective was constructed for carried out the research.

1. To know the effect of Personal demographic factors on Firms Position and Stock Return.
2. To understand the differences between the two sample group over their consideration of firms' position and stock return.

METHODOLOGY

In order to investigate the basic objectives of this study, the researcher has indented to employ the descriptive research method. In this study the researcher has wished to apply the primary data. The questionnaire survey technique has proposed to collect data. The researcher in his research study like to apply the cluster sample used to select the respondents in the study area of Tiruchirappalli district. The researchers have selected five leading Asset Management Company for the study. The primary data is collected for the study through a well-designed structural questionnaire and discussion with bank customers. Sample size has 460 respondents who were identified randomly. The cluster of sample mixed with two type of Investors, namely only invest in open-end fund scheme and investors invest in open-end fund along with other scheme. The distribution of sample ag given in the frequency table. Secondary data is collected from various publications, Journal, Insurance Magazines, Official websites, Annual reports and Newspapers.

Table – 1: *Distribution of Sample Respondent Based Upon the Personal Factors*

Personal Factors	Group	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	378	82.0	82.0	82.0
	Female	83	18.0	18.0	100.0
	Total	461	100.0	100.0	
Age	18 - 30	156	33.8	33.8	33.8
	31 - 40	142	30.8	30.8	64.6
	41 - 50	112	24.3	24.3	88.9
	Above 50 years	51	11.1	11.1	100.0
	Total	461	100.0	100.0	

Education	Schooling	46	10.0	10.0	10.0
	Graduates	207	44.9	44.9	54.9
	Professional	208	45.1	45.1	100.0
	Total	461	100.0	100.0	
Number of Years of Trading	Less than 3	51	11.1	11.1	11.1
	3 - 5 years	329	71.4	71.4	82.4
	Above 5 years	81	17.6	17.6	100.0
	Total	461	100.0	100.0	
Occupation	Government Sector	73	15.8	15.8	15.8
	Private Sector	256	55.5	55.5	71.4
	Professional	64	13.9	13.9	85.2
	Business	58	12.6	12.6	97.8
	Others	10	2.2	2.2	100.0
	Total	461	100.0	100.0	
Income	50,000 - 1,00,000	39	8.5	8.5	8.5
	1,00,000 - 3,00,000	208	45.1	45.1	53.6
	3,00,000 - 5,00,000	118	25.6	25.6	79.2
	5,00,000 and above	96	20.8	20.8	100.0
	Total	461	100.0	100.0	

The table shows the distribution of sample respondent on the basis of respondent personal factors such as, age, gender, Income, Education Occupation and number of years of investing in mutual fund investment. It is clear from the table that is out of 461 sample respondent, 82 percent of respondent are male and remaining 18 percent are female who are investing only in open end fund. Moreover, out of 461 sample respondent, 64.6 percent of respondent age come between 18 to 40. Regarding the level of education, 45.1 percent of respondent are professional people who are investing in mutual fund and 44.9 percent are graduates. Moreover, the respondent occupation is classified into four categories. Out the four category of respondent occupation, 55.5 percent of respondent are working in private sector investing in mutual fund. Regarding the monthly income, 45.1 percent of respondent monthly income in between 1lakh to 3 lakhs and only 8.5 percent of respondent income below one lakh. Regarding the number of years, the respondent engaging in trading, 71.4 percent of respondent are in between three to five years depend on mutual fund investment. It is concluding that majority of the participant are male and middle age group as well as younger group are largely participated in the study. Moreover, respondent who are working in Private sector are largely participated in the study.

2.1 Impact of Personal Factors of Investors on the Consideration of Firms Position

The multiple regressions were conducted to know the impact of customer personal demographic factors such as, Gender, Age, Education, Years of Trading, Occupation and Income on investors consideration over the firms' position regarding the mutual fund investment. The firms position has includes the investors acceptance of investment advice

from the market, analyse the present Company position in an industry, the aim of investors regarding Ultimately to take huge amount of return, the investors idea over the Taking into consideration of current economic condition, the taking into consideration of Global developments also needs to be watched, moreover go through a the company financial statement and finally the investors knowledge over understand the asset allocation of the company. The impact of five personal demographic factors was measured with help of multiple regressions. The test aims to compare the two type of investors namely, investing only open-ended fund and investors along with other fund. The test of Model fit was conducted to know the final fit of personal attributes to measure the investor's knowledge over the firm's position. The test of model fit indicates which perceived value attributes carry a largest adjusted R squared. Probably the result of model fit help to know significant attributes which influence the consideration of firms' position.

Table – 2: *Summary of Model Fit Shows the Fitness of Personal Factor on Firm Position*

Type of Investors	R	R Square	Adjusted R Square	Std. Error of the Estimate
Only open-end fund investment	.370 ^a	.137	.114	.89326984
Along with open-end fund investment	.466 ^b	.217	.196	.93590336

a. Predictors: (Constant), Income, Occupation, Gender, YrsOfTrading, Education, Age

b. Predictors: (Constant), Income, Occupation, Education, YrsOfTrading, Gender, Age

Table – 3: *Analysis of Variance Between Personal Factors and Dependent Variable of Firms Position*

Type of Investors	Model	Sum of Squares	df	Mean Square	F	Sig
Only open-end fund investment	Regression	28.406	6	4.734	5.933	.000
	Residual	178.737	224	.798		
	Total	207.142	230			
Along with open-end fund investment	Regression	54.131	6	9.022	10.3	.000
	Residual	195.329	223	.876		
	Total	249.460	229			

a. Dependent Variable: *FAC1*

b. Predictors: (Constant), Income, Occupation, Gender, YrsOfTrading, Education, Age

c. Predictors: (Constant), Income, Occupation, Education, YrsOfTrading, Gender, Age

The R-Squared statistic indicates that the model as fitted explains 13.7% and 21.7% of the variability in investors of only invest in open-end fund and along with other open-end fund consideration of firms' position respectively. The adjusted R-squared statistic, which is more suitable for comparing models with different numbers of independent variables, is 11.4% and 19.6%. The standard error of the estimate shows the standard deviation of the residuals to be .89326984 and .93590336. Since the P-value in the ANOVA table is less than 0.05, ($p < .0001$) for the both type of investors. it is confirmed that there is a statistically significant relationship between the variables at the 95.0% or higher confidence level.

Table – 4: *Parameter Estimate Shows the Standardized Coefficients of Personal Factor on Firm Position*

Type of Investors	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
		B	Std. Error	Beta		
Only open-end fund investment	(Constant)	-.775	.501		-1.548	.123
	Gender	.217	.150	.091	1.451	.148
	Age	-.077	.075	-.079	-1.022	.308
	Education	-.243	.106	-.160	-2.292	.023
	YrsOfTrading	-.073	.106	-.044	-.687	.493
	Occupation	.037	.071	.033	.524	.601
	Income	.371	.078	.337	4.765	.000
Along with open-end fund investment	(Constant)	-1.841	.532		-3.464	.001
	Gender	.105	.184	.037	.569	.570
	Age	.279	.072	.275	3.896	.000
	Education	-.048	.098	-.031	-.487	.627
	YrsOfTrading	-.022	.139	-.010	-.158	.875
	Occupation	.025	.060	.025	.415	.679
	Income	.332	.084	.281	3.944	.000

a. Dependent Variable: FAC1 – Investors Consideration of Firms Position for Intra-Day Trading

The parameter estimate shows the significant and insignificant investors personal factors which are influence the investor's consideration of firm's position for their intra-day trading. It is clear from the result that is the investor's education level ($t = -2.292$, $P < 0.05$) and their monthly income ($t = 4.765$, $P < 0.0001$) significantly influences the firm's position consideration for their only open-end fund investors. whereas the respondent age ($t = 3.896$, $P < 0.0001$) and income ($t = 3.944$, $P < 0.0001$) has influence the investors who are investing in open-end fund along with other scheme. It is concluded that the income of respondent significantly emerged to predict the both type of investors consideration of firms' position over their mutual fund investment.

2.2 Impact of Personal Factors of Investors on the Consideration of Stock Returns:

The multiple regressions were conducted to know the impact of customer personal demographic factors such as, Gender, Age, Education, Years of Trading, Occupation and Income on investors consideration over the stock returns in open-ended fund investment. The stock return consider by the investors includes Minimizing risk of loss and Consider the dividend payout ratio of the company. The impact of five personal demographic factors was measured with help of multiple regressions. The test aims to compare the two type of investors namely, only open-end fund investment and along with open-end fund investment.

The test of Model fit was conducted to know the final fit of personal attributes to measure the investor's consideration of their stock return. The test of model fit indicates which perceived value attributes carry a largest adjusted R squared. Probably the result of model fit help to know significant attributes which influence the consideration of stock return.

Table – 5: *Summary of Model Fit Shows the Fitness of Personal Factor on Investors Consider of Stock Return*

Type of Investors	R	R Square	Adjusted R Square	Std. Error of the Estimate
Only open-end fund investment	.369 ^a	.136	.113	1.02984257
Along with open-end fund investment	.276 ^b	.076	.051	.85679002

a. Predictors: (Constant), Income, Occupation, Gender, YrsOfTrading, Education, Age

Table – 6: *Analysis of Variance Between Personal Factors and Dependent Variable of Investors Consider of Stock Return*

Type of Investors	Model	Sum of Squares	df	Mean Square	F	Sig
Only open-end fund investment	Regression	37.369	6	6.228	5.872	.000
	Residual	237.569	224	1.061		
	Total	274.938	230			
Along with open-end fund investment	Regression	13.479	6	2.247	3.060	.007
	Residual	163.702	223	.734		
	Total	177.181	229			

a. Dependent Variable: FAC2

b. Predictors: (Constant), Income, Occupation, Gender, YrsOfTrading, Education, Age

c. Predictors: (Constant), Income, Occupation, Education, YrsOfTrading, Gender, Age

The R-Squared statistic indicates that the model as fitted explains 13.6% and 7.6% of the variability in investors only open-end fund investment and along with open-end fund consideration of stock returns respectively. The adjusted R-squared statistic, which is more suitable for comparing models with different numbers of independent variables, is 11.3% and 5.1%. The standard error of the estimate shows the standard deviation of the residuals to be 1.02984 and .856790. Since the P-value in the ANOVA table is less than 0.0001 for the investors doing only open-end fund and, P-value is less than 0.05 ($p < .007$) for the investors trading along with open-end fund. it is confirmed that there is a statistically significant relationship between the variables at the 95.0% or higher confidence level.

Table – 7: *Parameter Estimate Shows the Standardized Coefficients of Personal Factor on Investors Consider of Stock Return*

Type of Investors	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
		B	Std. Error	Beta		
Only open-end fund investment	(Constant)	.820	.578		1.420	.157
	Gender	.441	.173	.160	2.558	.011

	Age	-.249	.087	-.221	-2.869	.005
	Education	-.559	.122	-.321	-4.582	.000
	YrsOfTrading	-.111	.123	-.058	-.905	.366
	Occupation	.078	.082	.060	.947	.345
	Income	.123	.090	.097	1.368	.173
Along with open-end fund investment	(Constant)	-.637	.487		-1.309	.192
	Gender	.283	.168	.120	1.685	.093
	Age	-.035	.066	-.041	-.540	.590
	Education	-.205	.090	-.159	-2.279	.024
	YrsOfTrading	.196	.127	.102	1.544	.124
	Occupation	-.067	.055	-.081	-1.222	.223
	Income	.202	.077	.203	2.628	.009

a. Dependent Variable: FAC2 – Stock Return

The parameter estimate shows the significant and insignificant investors personal factors which are influence the investor's consideration of stock return for their open-end fund. It is clear from the result that is the investor's education level ($t = -4.582$, $P < 0.0001$), Age ($t = -2.869$, $P < 0.05$) and gender ($t = 2.558$, $P < 0.05$) significantly influences the investors expectation of stock return consideration for the investors only invest in open-end fund. Whereas the respondent education ($t = -2.279$, $P < 0.05$) and income ($t = 2.628$, $P < 0.05$) has influence the investors who are invest in open-end fund along with other schemes. It is concluded that the education of respondent significantly emerged to predict the both type of investor's consideration of stock return over their open-end fund.

CONCLUSION

It is clear from the result that is the investor's education level and their monthly income significantly influences the firm's position consideration for their only open-ended mutual fund investors. whereas the respondent age and income has influence the investors who a doing open-ended mutual fund investment along with other schemes. It is clear from the result that is the investor's education level, Age and gender significantly influences the investors expectation of stock return consideration for the investors who are opt only open-end scheme. Whereas the education and income have influence the investors who are select the open-end scheme along with other schemes.

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